

July 27, 1993

TO ALL DIVISION MANAGERS

SUBJECT: Price Rollback Procedures

After careful consideration of the various options available to manage the rollback of our prices, effective August 9, we have developed procedures that we believe are equitable to all direct accounts, chains and independent retailers.

I am certain that we are taking the right position, just as I am certain that Philip Morris' actions were not conceived from a position of strength in the marketplace. They have, I believe, reacted to our strong business performance and your excellent work at retail over the past year or so.

The attached pages outline the procedures and timetable for you to follow when implementing our price rollback at the wholesale and retail level.

As these procedures indicate, you will verify inventory at Direct Accounts and we will credit these accounts for the difference between the higher and lower price. At retail we will simply allow our promoted and unpromoted product to flow through at the current prices. August 9 is our target date for the shipment of lower priced product by Direct Accounts. Lower prices at retail should become effective as soon as practical; on August 9 or at the appropriate time as determined by each retailer's inventory status.

While our retail strategy differs significantly from Philip Morris' strategy, our approach is more consistent across the entire retail trade segment and makes for an orderly transition to a new, lower pricing structure that is fair to everyone.

I urge you to work closely with all of your retailers to help them sell through their higher priced product as soon as possible.

Again, I want to emphasize that we based our strategies on what we feel is best for our customers and for RJR. I believe you have an opportunity to demonstrate to the trade our commitment to act responsibly to their needs during what I'm sure is a difficult time for them.

I wish you much success.

Sincerely,

Yancey W. Ford, Jr.
Executive Vice President - Sales

Attachments

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